

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Saline District Library</u>	County <u>Washtenaw</u>
Audit Date <u>November 30, 2004</u>	Opinion Date <u>January 7, 2005</u>	Date Accountant Report Submitted To State: <u>March 29, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

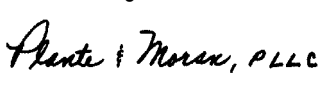
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address <u>Suite 200, 350 South Main Street</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104-1923</u>
Accountant Signature 			

# **Saline District Library**

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**Financial Report  
with Supplemental Information  
November 30, 2004**

# **Saline District Library**

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## Independent Auditor's Report

To the Board of Directors  
Saline District Library

We have audited the accompanying basic financial statements of the Saline District Library as of and for the year ended November 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Saline District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Saline District Library as of November 30, 2004 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules - General Fund as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

January 7, 2005



A worldwide association of independent accounting firms

## **Management's Discussion and Analysis**

This discussion and analysis of the Saline District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2004. Please read it in conjunction with the Library's financial statements.

### **Using this Annual Report**

The General Fund is presented on the modified accrual basis of accounting, which is a short-term view that tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a longer-term view of the Library as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The General Fund modified accrual basis financial statements provide detail information about the Library's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The Library's full accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

### **Condensed Financial Information (Full Accrual Basis)**

The following table below shows key financial information in a condensed format:

	2004	2003
<b>Assets</b>		
Cash and cash equivalents	\$ 879,632	\$ 897,342
Investments	4,302,636	3,977,286
Capital assets	2,277,704	2,427,297
Total assets	7,459,972	7,301,925
<b>Liabilities</b>		
Long-term liabilities	1,229,910	1,371,654
Other liabilities	200,776	188,862
Total liabilities	1,430,686	1,560,516

## Management's Discussion and Analysis (Continued)

	2004	2003
<b>Net Assets</b>		
Invested in capital assets - Net of debt	\$ 942,704	\$ 952,297
Restricted for debt service payments	6,637	3,253
Restricted for donor-restricted purposes	6,963	6,963
Unrestricted	<u>5,072,982</u>	<u>4,778,896</u>
Total net assets	<u><b>\$ 6,029,286</b></u>	<u><b>\$ 5,741,409</b></u>
<b>Revenue</b>		
Property taxes	\$ 1,241,214	\$ 1,174,665
Other	<u>280,840</u>	<u>298,065</u>
Total revenue	1,522,054	1,472,730
<b>Expenses - Library services</b>	<u>1,234,177</u>	<u>1,235,379</u>
<b>Change in Net Assets</b>	<u><b>\$ 287,877</b></u>	<u><b>\$ 237,351</b></u>

### Full Accrual Analysis

The full accrual statement of activities shows an increase in net assets of \$287,877. This reflects that taxpayers, current users, and supporters of the Library's services and facilities have paid the full cost of operating the Library, even after consideration of the depreciation of long-lived assets and the recognition of future obligations.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$5,072,982. Unrestricted net assets increased during the year by \$294,086, which is consistent with the Library's budgeted increase in fund balance on a modified accrual basis as discussed below. The Library has traditionally budgeted revenue in excess of expenditures in order to accumulate fund balance for working capital needs and to provide discretionary funds when needed for capital improvements and maintenance.

## **Management's Discussion and Analysis (Continued)**

### **Modified Accrual Analysis**

The General Fund pays for all of the Library's services. The most significant are personnel and related staffing expenses of \$586,214, which account for 59 percent of the total operating expenditures. Library services of \$152,959 include collection purchases, programs, and Internet access, and total 15 percent of the total operating expenditures. The remaining categories "facilities and equipment" of \$194,007 comprise 19 percent of total operating expenditures and "Other," which includes professional services, supplies, and other expenditures, is \$65,188 or 7 percent of total operating expenditures. Fund balance in the General Fund increased by \$303,578 in fiscal year 2003/2004 and \$243,897 in fiscal year 2002/2003. This reflects that the Library is working within set budgeted amounts.

### **Budgetary Highlights**

As required by State of Michigan law, the Library amended the budget to take into account events during the year.

The General Fund's net assets on a full accrual basis increased from \$5,741,409 to \$6,029,286 (page 7). The increase is attributed to favorable revenues, lower tax delinquencies, and higher state revenue sharing. Additionally, operating expenses were lower than anticipated. The increase in the General Fund also reflects the Library's plan to ensure adequate funding for the replacement plan for building fixtures, equipment, and computer system needs, as well as unanticipated future infrastructure maintenance.

Fund increases are placed into designated accounts such as "building improvement," "equipment repair and replacement," "technology," and "contingencies" (See Note 10 to the Financial Statements).

Expenditure variances are accounted for and are related to this fiscal year only. They have no significant effect on future Library services.

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

At the end of 2004, the Library had \$2,277,704 invested in a broad range of capital assets, including building, collections, furniture, and equipment (see Note 3 to the financial statements).

In 2004, the Library modernized its security gates as well as enhanced the comfort and use of the facility through additional shelving and furniture. The public workstations were upgraded to provide for standardization and security. The Library improved its Internet connection to broadband, ensuring faster online connections to job seekers in the community. This was accomplished by the Library seeking and obtaining a Reed Act/Gates Foundation grant.

Standard and Poor's gave the Library an A+ credit rating when the Library refinanced its bonds in 2002. Since that time, the Library's financial position is the same or stronger.

### **Economic Factors and Next Year's Budget**

For the Library's 2004/2005 budget, expenditure increases generally reflect expected inflation of approximately 2.5 percent.

The Library is planning to expand the present library building over the next two to three years. It is anticipated that the floor space will double to accommodate the growing demand for increased collection material, child reading programs, and adult reading programs. Presently, it is anticipated that the Library will be ready to hold an election to increase the millage in spring 2006. Monies are budgeted in next year's fiscal budget for the preliminary expansion work and are funded through the building-related reserve accounts and prior years' donations to the Library.

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Leslee Niethammer, at (734) 429-5450.



# Saline District Library

## General Fund Balance Sheet/Statement of Net Assets November 30, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Net Assets, Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 879,632	\$ -	\$ 879,632
Investments (Note 2)	4,302,636	-	4,302,636
Fixed assets (Note 3)	-	2,277,704	2,277,704
Total assets	<u>\$ 5,182,268</u>	2,277,704	7,459,972
<b>Liabilities</b>			
Accrued and other liabilities	\$ 21,794	-	21,794
Accrued interest payable	-	14,899	14,899
Long-term liabilities (Note 4):			
Bonds payable, due within one year	-	145,000	145,000
Accumulated employee benefits, due within one year	-	19,083	19,083
Bonds payable, due in more than one year	-	1,190,000	1,190,000
Accumulated employee benefits, due in more than one year	-	39,910	39,910
Total liabilities	21,794	1,408,892	1,430,686
<b>Fund Balance</b>			
Reserved for debt service (Note 5)	6,637	(6,637)	-
Reserved for restricted donation (Note 5)	6,963	(6,963)	-
Unreserved (Note 10):			
Designated for endowment	3,460,977	(3,460,977)	-
Designated for endowment projects	40,000	(40,000)	-
Designated for building improvements	683,482	(683,482)	-
Designated for equipment purchases	148,044	(148,044)	-
Designated for contingencies	261,214	(261,214)	-
Designated for technology and Internet	261,400	(261,400)	-
Designated for compensated absences	39,910	(39,910)	-
Undesignated	251,847	(251,847)	-
Total fund balance	<u>5,160,474</u>	<u>(5,160,474)</u>	-
Total liabilities and fund balance	<u>\$ 5,182,268</u>		
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		942,704	942,704
Restricted for debt service payments		6,637	6,637
Restricted for donor-restricted purpose		6,963	6,963
Unrestricted		5,072,982	5,072,982
Total net assets		<u>\$ 6,029,286</u>	<u>\$ 6,029,286</u>

# Saline District Library

## Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2004

	General Fund, Modified Accrual basis	Adjustments (Note 9)	Statement of Activities, Full Accrual Basis
<b>Operating Revenue</b>			
Property taxes - Operating	\$ 1,050,425	\$ -	\$ 1,050,425
Single business tax	14,085	-	14,085
State aid - Books	19,144	-	19,144
Penal fines	43,528	-	43,528
Fines and fees	37,300	-	37,300
Donations	13,477	-	13,477
Library services	8,650	-	8,650
Miscellaneous	18,690	-	18,690
Total operating revenue	1,205,299	-	1,205,299
<b>Operating Expenditures</b>			
Personnel	586,214	7,275	593,489
Library services	152,959	(101,841)	51,118
Facilities and equipment	194,007	251,434	445,441
Other operating expenditures	65,188	-	65,188
Total operating expenditures	998,368	156,868	1,155,236
<b>Operating Income</b>	206,931	(156,868)	50,063
<b>Nonoperating Revenue (Expenditures)</b>			
Property taxes - Debt service	190,789	-	190,789
Interest earnings - Debt service	833	-	833
Debt service:			
Principal	(140,000)	140,000	-
Interest	(48,198)	1,167	(47,031)
Investment earnings - Endowment	94,445	-	94,445
Investment earnings - Trust	21,563	-	21,563
Endowment donations	2,000	-	2,000
Endowment projects	(18,341)	-	(18,341)
Endowment administration charges	(13,569)	-	(13,569)
Investment earnings on donated stock	7,125	-	7,125
Total nonoperating revenue	96,647	141,167	237,814
<b>Change in Fund Balance/Net Assets</b>	303,578	(15,701)	287,877
<b>Fund Balance/Net Assets - December 1, 2003</b>	4,856,896	884,513	5,741,409
<b>Fund Balance/Net Assets - November 30, 2004</b>	<u>\$ 5,160,474</u>	<u>\$ 868,812</u>	<u>\$ 6,029,286</u>

# Saline District Library

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## Notes to Financial Statements November 30, 2004

### **Note I - Nature of Organization and Summary of Significant Accounting Policies**

The accounting policies of the Saline District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Saline District Library:

#### **Reporting Entity**

The Saline District Library is governed by a seven-member Board of Trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

#### **Modified Accrual and Full Accrual Data**

The Library has one fund, the General Fund, which is the Library's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Saline District Library's borders encompass the City of Saline and portions of Saline Township, York Township, Lodi Township, Pittsfield Township, Freedom Township, and Bridgewater Township. Properties in each governmental unit are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year, and are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

### **Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

In addition to presenting information for the General Fund, the basic financial statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

**Capital Assets** - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$500 capitalization threshold.

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and support systems	20-50 years
Furniture and equipment	5-10 years
Interior shelving	20 years
Improvements	10-20 years
Collections	3-5 years

The Library purchases student art each year from the Saline High School Spring Art Show. The pieces are on public exhibition in the library building. The art collection is not capitalized or depreciated as part of capital assets as it meets all of the following conditions:

- a. Collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- b. Collections are protected, kept unencumbered, cared for, and preserved; and
- c. Collections are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Saline District Library

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## Notes to Financial Statements November 30, 2004

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated six banks for the deposit of Library funds. The investment policy for unrestricted funds adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The investment policy for the Board-designated endowment fund and restricted funds adopted by the Board has authorized investments in accordance with the Uniform Management of Institutional Funds Act, Public Act 157 of 1976. The Library's deposits and investment policies are in accordance with statutory authority.

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 2 - Deposits and Investments (Continued)

The Library's deposits and investments at November 30, 2004 are reported in the basic financial statements under the following classifications:

	<u>Governmental Activities</u>		
	Cash and		
	Cash		
	Equivalents	Investments	Total
Deposits	\$ 743,050	\$ 372,105	\$ 1,115,155
Investments in securities, mutual funds, and similar vehicles	<u>136,582</u>	<u>3,930,531</u>	<u>4,067,113</u>
Total	<u>\$ 879,632</u>	<u>\$ 4,302,636</u>	<u>\$ 5,182,268</u>

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$1,118,000. Of that amount, approximately \$540,000 was covered by federal depository insurance and the balance was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Library's investments are categorized below to give an indication of the level of risk assumed by the Library at November 30, 2004. Risk Category I includes those investments that meet any one of the following criteria:

- Insured
- Registered
- Held by the Library or its agent

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 2 - Deposits and Investments (Continued)

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Library's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Library's name

At year end, the Library's investment balances were categorized as follows:

	Category		Reported Amount
	1	3	(Fair Value)
U.S. government securities	\$ -	\$ 3,872,815	\$ 3,872,815
Stock - Donated	<u>57,716</u>	<u>-</u>	<u>57,716</u>
Total	<u>\$ 57,716</u>	<u>\$ 3,872,815</u>	3,930,531
Mutual funds			<u>136,582</u>
Total investments			<u>\$ 4,067,113</u>

There were no investments in Risk Category 2.

Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Library believes that the investments in mutual funds comply with the investment authority noted above. The mutual fund investments are registered with the SEC.

Included in the Library's investments at the balance sheet date is approximately \$1,400,000 of obligations of the Federal National Mortgage Association. These investments are not usually backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.



# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 2 - Deposits and Investments (Continued)

At November 30, 2004, the fair value and cumulative unrealized gain on the Library's investments were as follows:

	Original Cost/Donated Value	Fair Value	Unrealized Gain
U.S. government securities	\$ 3,846,399	\$ 3,872,815	\$ 26,416
Stock - Donated	20,000	57,716	37,716
Mutual funds	<u>136,582</u>	<u>136,582</u>	<u>-</u>
Total	<u>\$ 4,002,981</u>	<u>\$ 4,067,113</u>	<u>\$ 64,132</u>

Investment earnings resulted from the following:

Unrealized gain on investments - End of year	\$ 64,132
Unrealized gain on investments - Beginning of year	<u>111,645</u>
Current year change in market value	(47,513)
Other investment income - Interest, dividends, and realized gains	<u>171,479</u>
Total investment earnings	<u>\$ 123,966</u>

The classification of investment earnings per the statement of General Fund revenue, expenditures, and changes in fund balance/statement of activities is as follows:

Investment earnings:	
Debt service	\$ 833
Endowment	94,445
Trust	21,563
Donated stock	<u>7,125</u>
Total investment earnings	<u>\$ 123,966</u>

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 3 - Capital Assets

Capital asset activity of the Library is as follows:

	Balance December 1, 2003	Additions	Disposals and Adjustments	Balance November 30, 2004
Capital assets not being depreciated -				
Land	\$ 192,660	\$ -	\$ -	\$ 192,660
Capital assets being depreciated:				
Buildings	2,410,209	-	-	2,410,209
Site improvements	192,918	-	-	192,918
Interiors	179,283	1,880	-	181,163
Shelving	135,581	7,006	-	142,587
Automated library systems	95,418	-	-	95,418
Equipment	128,425	32,168	37,875	122,718
Collections - Library books, CDs, and audio/visual	1,548,030	101,841	26,190	1,623,681
Subtotal	4,689,864	142,895	64,065	4,768,694
Accumulated depreciation	(2,455,227)	(282,460)	(54,037)	(2,683,650)
Net capital assets being depreciated	2,234,637	(139,565)	10,028	2,085,044
Net capital assets	<u>\$ 2,427,297</u>	<u>\$ (139,565)</u>	<u>\$ 10,028</u>	<u>\$ 2,277,704</u>

### Note 4 - Long-term Debt

Long-term debt activity can be summarized as follows:

	Balance December 1, 2003	Additions	Reductions	Balance November 30, 2004	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable - 2002 General Obligation bonds, original issue of \$1,605,000, maturing through 2012, with interest rates ranging from 2.50%-3.85%	\$ 1,475,000	\$ -	\$ (140,000)	\$ 1,335,000	\$ 145,000
Other long-term liabilities -					
Compensated absences	51,718	7,275	-	58,993	19,083
Total long-term debt and other long-term liabilities	<u>\$ 1,526,718</u>	<u>\$ 7,275</u>	<u>\$ (140,000)</u>	<u>\$ 1,393,993</u>	<u>\$ 164,083</u>

The compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 4 - Long-term Debt (Continued)

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of November 30, 2004 (excluding employee benefits) through maturity, including both principal and interest, are as follows:

Years Ending November 30	Principal	Interest	Total
2005	\$ 145,000	\$ 44,698	\$ 189,698
2006	150,000	41,072	191,072
2007	155,000	36,872	191,872
2008	165,000	32,222	197,222
2009	170,000	26,860	196,860
2010-2012	550,000	42,766	592,766
Total	<u>\$ 1,335,000</u>	<u>\$ 224,490</u>	<u>\$ 1,559,490</u>

#### Interest

Interest expense of the Library for the year ended November 30, 2004 approximated \$48,200.

### Note 5 - Reserved Fund Balance/Restricted Net Assets

Fund balance has been reserved for debt service in an amount equal to collections of debt millage in excess of bond payments to date.

During 1997, the Library received a donation of corporate stock valued at \$20,000 that was restricted for expenditures relating to the development of the Library's music collection and gardening improvements. Fund balance has been reserved in an amount equal to the donation less any expenditures.

Both of the above items meet the criteria that also require the amounts to be restricted on the statement of net assets.

### **Note 6 - Budget Information**

The annual budget is prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at November 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total revenue and expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library Board can be seen by examining the totals in the budgetary comparison schedule - General Fund in the required supplementary information section. The line-item detail shown is not part of the adopted budget and is shown for management analysis only.

### **Note 7 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 8 - Defined Contribution Retirement Plan**

The Library provides pension benefits through a defined contribution plan, created in accordance with IRC Section 414(h), to all of its employees who work in excess of 20 hours per week on a regularly scheduled basis and who are not covered by a collective bargaining agreement. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. As established by the trust, both the Library and the employees contribute 5 percent of gross earnings, which resulted in employer and employee contributions of \$20,543 each. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance</b> - Modified accrual basis	\$ 5,160,474
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Amounts reported in the statement of net assets are different  
because:

Capital assets are not financial resources and are not reported in the funds	2,277,704
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,335,000)
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Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(14,899)
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Compensated absences are included as a liability	<u>(58,993)</u>
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<b>Net Assets of General Fund</b> - Full accrual basis	<u><u>\$ 6,029,286</u></u>
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# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements (Continued)

<b>Net Change in Fund Balances - Modified accrual basis</b>	<b>\$ 303,578</b>
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Amounts reported in the statement of activities are different  
because:

Capital outlays are reported as expenditures in the statement  
of revenue, expenditures, and changes in fund balance; in  
the statement of activities, these costs are allocated over  
their estimated useful lives as depreciation:

Library books and materials	101,841
Capital outlay	41,054
Depreciation	(282,460)

Losses resulting from disposals of capital assets are reported in the statement of activities, but not in the fund statements	(10,028)
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Increase in accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	(7,275)
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Decrease in accrued interest reported as revenue in the statement of activities, but not in the fund statements	1,167
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Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>140,000</u>
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<b>Change in Net Assets of General Fund - Full accrual basis</b>	<b><u><u>\$ 287,877</u></u></b>
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# Saline District Library

## Notes to Financial Statements November 30, 2004

### Note 10 - Changes in Fund Balance - General Fund

	Reserved for		Designated for							Unreserved/ Undesignated	Total
	Debt Service	Restricted Donation	Endowment	Projects	Building Improvement	Equipment Purchases	Contingencies	Internet and Technology	Compensated Absences		
<b>Balance - December 1, 2003</b>	\$ 3,253	\$ 6,963	\$ 3,351,132	\$ 40,000	\$ 469,385	\$ 143,629	\$ 261,214	\$ 253,605	\$ 36,654	\$ 291,061	\$ 4,856,896
Excess of revenue over expenditures	3,384	-	-	-	-	-	-	-	-	300,194	303,578
Additional designations	-	-	128,186	18,341	214,097	4,415	-	7,795	-	(372,834)	-
Expenditures from designations/reserves	-	-	(18,341)	(18,341)	-	-	-	-	3,256	33,426	-
<b>Balance - November 30, 2004</b>	<b>\$ 6,637</b>	<b>\$ 6,963</b>	<b>\$ 3,460,977</b>	<b>\$ 40,000</b>	<b>\$ 683,482</b>	<b>\$ 148,044</b>	<b>\$ 261,214</b>	<b>\$ 261,400</b>	<b>\$ 39,910</b>	<b>\$ 251,847</b>	<b>\$ 5,160,474</b>

## **Required Supplemental Information**

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# Saline District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2003

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>				
Property taxes - Operating	\$ 1,014,349	\$ 1,050,425	\$ 1,050,425	\$ -
Single business tax	14,000	14,085	14,085	-
State aid - Books	18,000	19,144	19,144	-
Penal fines	25,000	43,528	43,528	-
Fines and fees	29,900	36,249	37,300	1,051
Donations	10,300	13,477	13,477	-
Library services	7,700	8,547	8,650	103
Miscellaneous	-	18,685	18,690	5
Total operating revenue	1,119,249	1,204,140	1,205,299	1,159
<b>Operating Expenditures</b>				
Personnel	603,202	604,069	586,214	17,855
Library services	185,650	173,412	152,959	20,453
Facilities and equipment	206,800	199,629	194,007	5,622
Other operating expenditures	72,597	66,563	65,188	1,375
Total operating expenditures	1,068,249	1,043,673	998,368	45,305
<b>Operating Income</b>	51,000	160,467	206,931	46,464
<b>Nonoperating Revenue (Expenditures)</b>				
Property taxes - Debt service	188,007	190,789	190,789	-
Interest earnings - Debt service	1,000	828	833	5
Debt service:				
Principal	(140,000)	(140,000)	(140,000)	-
Interest	(48,198)	(48,198)	(48,198)	-
Investment earnings - Endowment	143,709	127,344	94,445	(32,899)
Investment earnings - Trust	20,000	26,272	21,563	(4,709)
Endowment donations	2,000	2,000	2,000	-
Endowment projects	(40,000)	(18,329)	(18,341)	(12)
Endowment administration charges	(15,239)	(15,672)	(13,569)	2,103
Investment earnings on donated stock	-	846	7,125	6,279
Total nonoperating revenue	111,279	125,880	96,647	(29,233)
<b>Change in Fund Balance</b>	162,279	286,347	303,578	17,231
<b>Fund Balance - December 1, 2003</b>	4,856,896	4,856,896	4,856,896	-
<b>Fund Balance - November 30, 2004</b>	<b>\$ 5,019,175</b>	<b>\$ 5,143,243</b>	<b>\$ 5,160,474</b>	<b>\$ 17,231</b>

## **Other Supplemental Information**

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# Saline District Library

## Other Supplemental Information Schedule of Operating Expenditures - General Fund Year Ended November 30, 2004

	General Fund, Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>Personnel</b>			
Salaries and wages	\$ 488,639	\$ -	\$ 488,639
Fringe benefits	97,575	7,275	104,850
Total personnel	586,214	7,275	593,489
<b>Library Services</b>			
Collections	114,052	(101,841)	12,211
Online access	31,184	-	31,184
Programs	7,723	-	7,723
Total library services	152,959	(101,841)	51,118
<b>Facilities and Equipment</b>			
Repairs and maintenance	76,284	-	76,284
Capital improvements	52,792	(31,026)	21,766
Depreciation	-	282,460	282,460
Utilities	51,930	-	51,930
Insurance	13,001	-	13,001
Total facilities and equipment	194,007	251,434	445,441
<b>Other Operating Expenditures</b>			
Professional services	24,475	-	24,475
Supplies	27,014	-	27,014
Miscellaneous	13,699	-	13,699
Total other operating expenditures	65,188	-	65,188
Total operating expenditures	<u>\$ 998,368</u>	<u>\$ 156,868</u>	<u>\$ 1,155,236</u>